NEBRASKA INVESTMENT COUNCIL

SUMMARY ANNUAL REPORT CALENDAR YEAR 2005

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NEBRASKA INVESTMENT COUNCIL



Back row (left to right): Dr. Richard A. DeFusco, Carol L. Kontor, Ron Ross, Gail Werner-Robertson, and John G. Maddux Front row (left to right): Anna Sullivan, Kenneth M. Green (Chair through August 2005), and Earl H. Scudder Not pictured: John L. Maginn

Council Chairwoman

Gail Werner-Robertson
President
GWR Wealth Management, LLC
Omaha, NE
Term 2003-2008
(Chairwoman effective August 2005)

State Investment Officer

Carol L. Kontor, CFA State Investment Officer Lincoln, NE

Council

Dr. Richard A. DeFusco, Ph. D., CFA Associate Professor of Finance University of Nebraska-Lincoln Lincoln, NE Term 2003-2006

John G. Maddux
Owner - Bentz Valley, Inc.
President - Maddux Cattle Company
Imperial, NE
Term 2004-2009

Earl H. Scudder
President
Scudder Law Firm, P.C., L.L.O.
Lincoln, NE
Term 2002-2007

John L. Maginn
President
Maginn Associates, Inc.
Omaha, NE
Term 2005-2010
Confirmed January 25, 2006

Ron Ross Nebraska State Treasurer Lincoln, NE Ex Officio (non-voting)

Anna Sullivan NPERS Director Lincoln, NE Ex Officio (non-voting)

State Investment Officer's Report

I am pleased to present our 2005 Annual Report for the Nebraska Investment Council. This report includes detailed information about the Defined Benefit Plans, the State and County Retirement Plans, and all other assets for which the Investment Council has investment responsibility. At the end of 2005, these assets totaled over \$11 billion.

Capital Markets Overview

In 2005, the U.S. economy was shaped by a variety of events including record high oil prices and devastating hurricanes. Following two years of double-digit investment returns, the S&P 500 Index returned only 4.9% in 2005. International stocks performed much better than their U.S. counterparts, with the MSCI EAFE Index (Europe, Australasia, Far East) returning 13.5% and the MSCI Emerging Markets Index returning a robust 34.0%.



Carol L. Kontor, CFA

The Federal Reserve continued tightening efforts in 2005 by raising the federal funds rate eight times. By the end of the year, the federal funds rate was 4.25%. In total, since the tightening effort began in 2004, the Fed has increased rates 13 times. The 1% fed funds rate in 2004 is quickly becoming a distant memory. Despite the continuation of rising short-term rates, the U.S. bond market had positive, albeit low, returns for the year. The Lehman Aggregate Bond Index returned 2.4% in 2005.

2005 Highlights

As noted, the assets under the responsibility of the Council grew to over \$11 billion, with total net contributions of \$357 million and total net investment earnings of \$663 million during the year. The Nebraska Educational Savings Plan Trust continues to have exceptional growth. During the year, net contributions were \$220 million, representing an external growth rate of 23%. Nebraska's 529 Plans, also known as the College Savings Plans, were first offered in 2001. Total assets in these Plans at the end of 2005 were over \$1.25 billion. Quite a growth rate!

The Council continued to analyze the higher expected rates of return and diversification benefits created by adding new alternative asset classes. In January 2005, the Council voted to allocate 5% of certain portfolios to private equities and hired two private equity fund of funds managers - Abbott Capital Management, LLC and Pathway Capital Management, LLC. The Council also approved the addition of global equities to the portfolios, hiring MFS Institutional Advisors, Inc. and Acadian Asset Management, Inc. as managers for this asset class. The new allocation was funded one-half from our target U.S. equities allocation and one-half from our non-U.S. equities allocation. The expectation is higher long-term rates of return because of the broader mandates assigned to these managers. Lastly, a change in the real estate strategy was adopted. The Council chose to change the structure to 20% public real estate and 80% private real estate. While the private real estate allocation will be invested primarily in core properties, up to 25% of the private allocation may be invested in value added opportunities. It is estimated that the funding in the core private real estate will begin in 2006. These new asset classes have been employed in the Defined Benefit Plans and the Cash Balance Benefit option in the State and County Retirement Systems Plans. Where deemed appropriate, the Council is also utilizing some of these new asset classes in other entities overseen by the Council.

Another solid addition to our plans came with the passage of LB 503. Members in the Defined Contribution option and the Deferred Compensation Plan have a new investment choice, the Investor Select Fund. This fund is designed to be invested substantially similar to the Defined Benefit Plans. The option was first made available to participants in September 2005.

Performance

While the total return on the Defined Benefit Plans did not hit double digits as it had in the past two years, it did earn a positive 7.0%. The dollar impact is that \$401 million of investment earnings was added to the Plans. The rate of return on the Plans has exceeded the benchmark over the five and ten year periods. The annualized rate of return for the Plans since 1983, the inception of the current performance measurement process, is 10.4%. This compares very favorably to the actuarial assumption of 8% for the rate of return on the investments, and helps to reduce the long-term cost of operating the Plans.

In the State and County Retirement Systems, the Cash Balance Benefit option is offered to participants and is designed to mirror the investment structure and returns of the Defined Benefit Plans. In 2005, the Cash Balance Benefit option earned 6.7%, a return similar to the Defined Benefit Plans. Since the new option was implemented in 2003, the average annualized rate of return is 12.4%. The interest credit rate averaged 5.2% over this three-year time period. Because of the excess return relative to the crediting rate plus a reserve required by the Plan, a dividend of 2.8% was granted in 2005 to participants with an account balance in this benefit option on December 31, 2004. This is the second year in a row that participants have received a dividend.

The rate of return for participants in the Defined Contribution option of the State and County Retirement Systems, the State Deferred Compensation Plan, and the Nebraska Educational Savings Plan Trust are dependent upon the investment funds selected by the participants. In all of these Plans, a variety of investment options such as equity, fixed income, and premixed funds are offered. The Council recognizes that the investment objectives and risk tolerance of individual participants can differ considerably, and thus seeks to provide sufficient options to meet the needs of the participants. For the investment information on the remaining trusts and endowments for which the Council is responsible, please see the appropriate section following in this report.

Conclusion

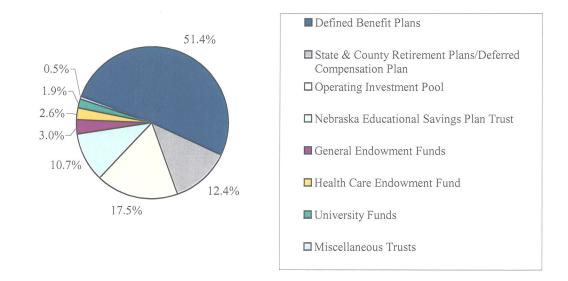
It was a year of significant changes within the investment structure of the Defined Benefit and related Plans. The Council understands that the investment objective for these assets is to be able to pay the benefits promised to the participants. The Council must always be mindful of the expected liabilities. Accordingly, the Council engaged its consultant to conduct a detailed asset/liability study of the Defined Benefit Plans in 2005. The results of the study confirmed that the investment structure changes are prudent and advisable. An efficient frontier analysis confirmed that the addition of private equities, private real estate, and global equities results in a higher expected rate of return and lower expected volatility for the total portfolio. The Council believes that any disadvantage of illiquidity can be easily managed, and is offset by the expected long-term advantages. The promised benefits to our participants are very long-term as well.

As always, the Council and the Agency staff take our responsibilities very seriously. As faithful stewards of the assets entrusted to our care, the Council seeks to understand well each portfolio's objectives, invest accordingly, and focus on long-term results rather than short-term volatility. We are committed to serving the owners of the assets by fulfilling our duties with integrity, prudence, and hard work.

Sincerely,

Carol L. Kontor, CFA State Investment Officer

Executive Summary



The Nebraska Investment Council manages the investments of 30 different entities. Numerous organizations may be included in an entity, such as the many separate departments of State government in the Operating Investment Pool. These 30 entities fall into the eight major categories displayed above. For example, the pension plans for the employees of the Schools, the State Patrol, and Judges have similar characteristics and are grouped under "Defined Benefit Plans." The pension plans for State and County employees have different characteristics and are listed separately. For all these entities, the Council's responsibilities are primarily regarding asset management. It does not determine the amount of funds contributed to nor disbursed from the funds it manages.

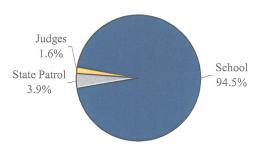
This report is intended to provide an overview of the investment management activities of the Council. All figures are believed to be materially accurate within the context of this report. Returns on all funds managed by the Council are reported net of fees unless noted otherwise.

Defined Benefit Plans - School, State Patrol, and Judges

OVERVIEW

The Defined Benefit Plans are comprised of the School Retirement System of the State of Nebraska, the Nebraska State Patrol Retirement System, and the Nebraska Judges' Retirement System. For these plans, the benefit is determined by formula and does not depend on investment results.

Plan as a Percentage of Total



Funding for the three plans comes from a variety of sources. For the School plan, active employees contributed 7.25% of salary to the plan through August 31, 2005. The passage of LB503 temporarily increased this contribution rate to 7.98% through August 31, 2006. School districts contribute 101% of the employee's contribution and the State contributes 0.7% of payroll. The State also contributes to a COLA, which is currently funded by an annual contribution in an amount set by statute. For the Patrol plan, the passage of LB503 increased contribution rates for a two-year period to 13% of pay for employees and 15% of pay from the State. On July 1, 2007, the rate decreases to 12% for employees and 13% for the employer. For the Judges' plan, active employees contribute 8% of pay for up to 20 years of service. Members with more than 20 years of service contribute 4% of pay. The plan is also funded by court fees assessed on various court filings. At present, the State makes no contributions to the Judges' plan.

2005 HIGHLIGHTS

The year began with the Council completing the execution of decisions made in 2004 concerning the U.S. equity portfolio. Some assets were transferred from an actively managed investment portfolio to a pre-existing Wilshire 5000 Index fund. Related to this action, and also approved in late 2004, was a reduction by half in the allocation to AllianceBernstein L.P. At that time, Alliance's assignment was changed from large cap growth to large cap core. An index fund was added to substitute for Alliance in its former large cap growth space.

During the year, the Council continued the implementation of their decision to expand the Plans' investments in alternative assets classes, with higher expected rates of return and greater portfolio diversification. A long-term allocation of 5% to private equities was approved in January 2005, to be invested with fund of funds managers for better risk management. Abbott Capital Management, LLC and Pathway Capital Management, LLC were selected as investment managers for this asset class.

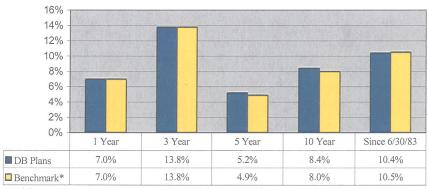
Because of higher expected rates of return due to broader mandates, the Council established a 5% allocation to the asset class of global equities in March. The Morgan Stanley Capital International All Country World Index (MSCI ACWI) was chosen as the benchmark for this investment. MFS Institutional Advisors, Inc. and Acadian Asset Management, Inc. were selected as investment managers for this allocation to global equities. Half of the funding for this investment came from the Wilshire 5000 Index Fund. The other half of the funding came from T. Rowe Price Associates, who

was terminated in March 2005. The remaining balance from the T. Rowe account was invested in a passive international index fund.

In late summer, the Council chose to refine the fixed income portfolio by allocating 33% of fixed income assets to a Lehman Brothers U.S. Aggregate Index Fund. The allocation of assets to BlackRock Financial Management and PIMCO was increased to 31% from 25%. Simultaneously, UBS Global Asset Management, Inc. and JP Morgan Investment Management, Inc. were terminated as fixed income managers. Also, 5% of the fixed income assets were approved to be invested with a high yield fixed income investment manager. Later in the year, the Council chose Loomis Sayles & Company to be the high yield fixed income manager. This high yield investment and the bond index together are expected to have risk/reward characteristics similar to the Lehman Brothers US Universal Bond Index which is the overall benchmark for the Plans' fixed income portfolio. BlackRock and PIMCO also have the Lehman Brothers US Universal Bond Index as their benchmark.

As an enhancement to the real estate investment strategy, the Council chose to change the structure of the portfolio to 20% public real estate and 80% private real estate. Most of the allocation to private real estate is to be in core investments; 13% - 25% is to be invested in value added private real estate. UBS Global Asset Management and Prudential Investment Management Services were selected to be the core private real estate investment managers. It is expected that funding for the private real estate investment will commence in 2006. In the meantime, the Council continued to invest in public real estate on a monthly basis, depending on market conditions, to gain market exposure to this asset class.

PERFORMANCE SUMMARY



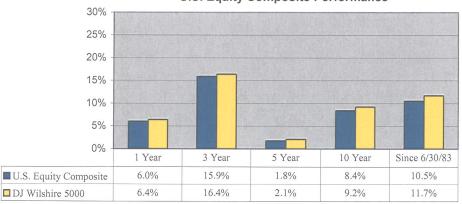
DB Plans - School, State Patrol, Judges

*This is a blended benchmark - 2Q03 to 2Q04: 50% Wilshire 5000/35% Citigroup LPF/15% MSCI ACWI ex-U.S. Beginning 3Q04, the fixed income benchmark was gradually transitioned from the Citigroup LPF to the Lehman Brothers U.S. Universal Bond Index. Thus, during 3Q04 and 4Q04, the fixed income benchmark is a compilation of both the Citigroup LPF and the Lehman Brothers U.S. Universal Bond Index. As of 1/1/05, the fixed income benchmark is solely the Lehman Brothers U.S. Universal Bond Index.

The assets for the three Defined Benefit Plans are invested identically. As well as manager specific risk, investment returns will reflect overall market conditions given the asset allocation. Global equities, non-U.S. equities and real estate led the total portfolio to an investment gain of \$401 million or 7.0% for the year. In the short-term, the Council expects rates of return to experience some volatility. Investment strategies which have lower risk also have lower expected rates of return. The Council believes the strategy used has a prudent and reasonable trade-off between risk and rate of return. Performance matched the benchmark for 2005.

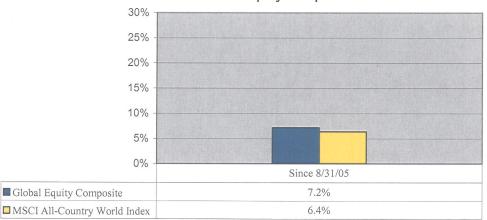
U.S. Equity Composite

DB Plans - School, Patrol, Judges U.S. Equity Composite Performance



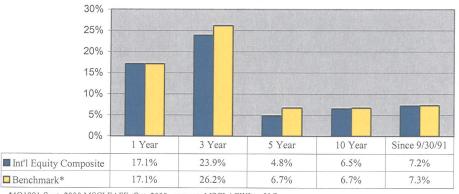
Global Equity Composite

DB Plans - School, Patrol, Judges Global Equity Composite Performance



International Equity Composite

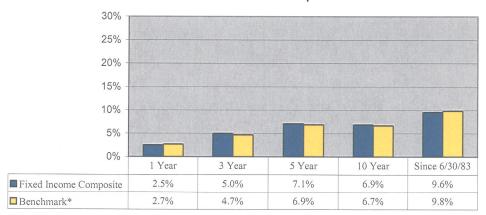
DB Plans - School, Patrol, Judges International Equity Composite Performance



 $^{^{\}star}4Q1991\text{-Sept.}$ 2000 MSCI EAFE; Oct. 2000 - present MSCI ACWI ex-U.S.

Fixed Income Composite

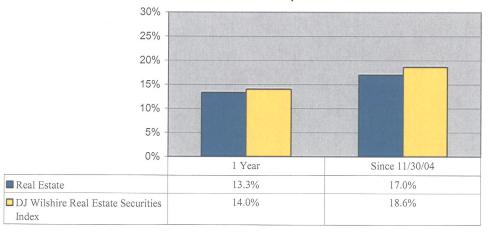
DB Plans - School, Patrol, Judges Fixed Income Composite Performance



*Prior to Sept. 2004, the Citigroup LPF Index. As of September 2004, the fixed income benchmark was gradually transitioned to the Lehman Brothers U.S. Universal Bond Index. Therefore, from 9/1/04 to 12/31/04, the fixed income benchmark is a compilation of both the Citigroup LPF and the Lehman Brothers U.S. Universal Bond Index. Beginning 1/1/05, the fixed income benchmark is solely the Lehman Brothers U.S. Universal Bond Index.

Real Estate Composite

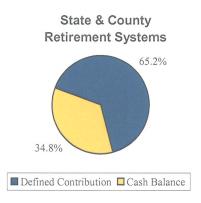
DB Plans - School, Patrol, Judges Real Estate Composite Performance

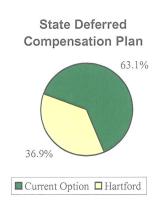


State and County Retirement Systems& State Deferred Compensation Plan

OVERVIEW

The Nebraska Investment Council determines the investments for the State Employees Retirement System of the State of Nebraska, the Retirement System for Nebraska Counties, and the State Deferred Compensation Plan. In the Retirement System for Nebraska Counties, all counties are included except Lancaster and Douglas counties. Prior to 1997, the State Deferred Compensation Plan was managed by Hartford Life Insurance Company. Some assets still remain with Hartford.





State and County Retirement Systems

Defined Contribution Option

In December 2002, participants were given the option to remain in the Defined Contribution option or transfer to the Cash Balance Benefit option implemented in January 2003. Prior to that time, employees in the State and Country Retirement System Plans were only offered the Defined Contribution option. Members who remain in the Defined Contribution option make their own investment choices based on the funds offered. Contributions to these accounts come from both the employee and the employer. State employees are required to contribute 4.33% of their salary until they have contributed \$864. Thereafter, the employee contribution rate is 4.8%. The State matches the employee contribution at the rate of 156%. County employees are required to contribute 4.56% of their salary. The county matches the employee contribution at the rate of 150%. The account balance for both state and county employees consists of accumulated contributions plus investment gains or losses.

Cash Balance Benefit Option

Since January 2003, the accounts for all new employees who participate in the State and County Retirement System Plans are automatically invested in the Cash Balance Benefit option. Members who participate in the Cash Balance Benefit option do not make their own investment choices. Contributions to these accounts come from both the employee and the employer, and the rates are identical to those in the Defined Contribution option. The assets are held in a trust fund which is managed by the Nebraska Investment Council. Cash Balance Benefit participants are guaranteed an annual interest credit rate which is defined in statute as the greater of 5% or the federal mid-term rate plus 1.5%. The interest credit rate is reset each calendar quarter.

State Deferred Compensation Plan

Deferred Compensation Plan (current version)

The voluntary Deferred Compensation Plan for State employees offers the same investments as those offered in the State and County Retirement Systems' Defined Contribution option. Combining the investment options of the State Deferred Compensation Plan and the much larger State and County Defined Contribution option provides a major reduction in costs for participants making voluntary contributions.

Hartford

Effective January 1, 1997, the investment management of the State Deferred Compensation Plan assets was changed from Hartford Life Insurance Company to the Nebraska Investment Council, with different investment options. Contributions to the Hartford investment options have not been allowed since then and participants remaining in the Hartford investment options may transfer their balances from Hartford to the current State Deferred Compensation investment options at any time. Given the elimination of new cash flows, the Council expects the Hartford investment options to lose assets over time.

2005 HIGHLIGHTS

Defined Contribution Option/Deferred Compensation Plan (current version)

In March, 2005, the Council voted to terminate T. Rowe Price Associates, Inc. as the manager for the International Stock Fund in the Defined Contribution option and the Deferred Compensation Plan and replace them with an ACWI ex-U.S. Index Fund.

The passage of LB 503 gave members a new investment choice in the Defined Contribution option and the Deferred Compensation Plan. The Investor Select Fund is a premixed fund invested with an asset allocation and investment strategy substantially similar to the investment decisions made for the Defined Benefit Plans (School, Judges and State Patrol) by the Nebraska Investment Council. This option was first made available to participants on September 7, 2005.

Cash Balance Benefit Option

The year began with the Council completing the execution of decisions made in 2004 concerning the U.S. equity portfolio. Some assets were transferred from an actively managed investment portfolio to a pre-existing Wilshire 5000 Index fund. Related to this action, and also approved in late 2004, was a reduction by half in the allocation to AllianceBernstein L.P. At that time, Alliance's assignment was changed from large cap growth to large cap core. An index fund was added to substitute for Alliance in its former large cap growth space.

During the year, the Council continued the implementation of their decision to expand the Plans' investments in alternative assets classes, with higher expected rates of return and greater portfolio diversification. A long-term allocation of 5% to private equities was approved in January 2005, to be invested with fund of funds managers for better risk management. Abbott Capital Management, LLC and Pathway Capital Management, LLC were selected as investment managers for this asset class.

Because of higher expected rates of return due to broader mandates, the Council established a 5% allocation to the asset class of global equities in March. The Morgan Stanley Capital International All Country World Index (MSCI ACWI) was chosen as the benchmark for this investment. MFS Institutional Advisors, Inc. and Acadian Asset Management, Inc. were selected as investment managers for this allocation to global equities. Half of the funding for this investment came from the Wilshire 5000 Index Fund. The other half of the funding came from T. Rowe Price Associates, who was terminated in March 2005. The remaining balance from the T. Rowe account was invested in a passive international index fund.

In late summer, the Council chose to refine the fixed income portfolio by allocating 33% of fixed income assets to a Lehman Brothers U.S. Aggregate Index Fund. The allocation of assets to BlackRock Financial Management and PIMCO was increased to 31% from 25%. Simultaneously, UBS Global Asset Management, Inc. and JP Morgan Investment Management, Inc. were terminated as fixed income managers. Also, 5% of the fixed income assets were approved to be invested with a high yield fixed income investment manager. Later in the year, the Council chose Loomis Sayles & Company to be the high yield fixed income manager. This high yield investment and the bond index together are expected to have risk/reward characteristics similar to the Lehman Brothers US Universal Bond Index which is the overall benchmark for the Plans' fixed income portfolio. BlackRock and PIMCO also have the Lehman Brothers US Universal Bond Index as their benchmark.

As an enhancement to the real estate investment strategy, the Council chose to change the structure of the portfolio to 20% public real estate and 80% private real estate. Most of the allocation to private real estate is to be in core investments; 13% - 25% in value added private real estate. UBS Global Asset Management and Prudential Investment Management Services were selected to be the core private real estate investment managers. It is expected that funding for the private real estate investment will commence in 2006. In the meantime, the Council continued to invest in public real estate on a monthly basis, depending on market conditions, to gain market exposure to this asset class.

Excellent investment returns for the 2004 plan year and an interest credit rate of slightly more than 5% enabled the Public Employees Retirement Board (PERB) to approve a dividend for State and County Cash Balance Benefit members. Participants who had an account balance on December 31, 2004, and were actively employed on April 18, 2005, received the dividend.

Hamfisch

In November 2004, the Council voted to replace the Janus Worldwide Fund with the American Funds New Perspective Fund and to replace the Janus Twenty Fund with the American Funds Growth Fund of America. This transition to the new funds in the Hartford investment option was completed in the first quarter of 2005.

State and County Retirement Systems Investment Option 1 – Defined Contribution & State Deferred Compensation Plan

PERFORMANCE SUMMARY

Each participant chooses his or her own investment strategy. Therefore, performance measurement for the State and County Retirement Plans and the State Deferred Compensation Plan is limited to manager performance.

State and County Retirement Systems Investment Option 2 – Cash Balance Benefit

PERFORMANCE SUMMARY

☐ Interest Credit Rate



The investments in the Cash Balance Benefit option returned 6.7% in 2005. This return is above the crediting rate earned by participants during the year. In 2005, participants in the Cash Balance Benefit earned an average of 5.4%, as the federal mid-term rate plus 1.5% was above 5%, the guaranteed minimum crediting rate. When investment performance results are above the interest credit rate plus the required reserve, the Public Employees Retirement Board has the option to issue a dividend to plan members, or the Nebraska State Legislature may pass legislation to improve plan benefits.

5.2%

5.2%

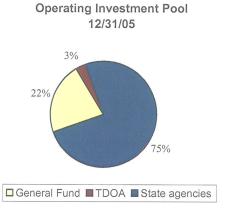
5.4%

Operating Investment Pool

OVERVIEW

The Nebraska Investment Council invests the available money from the State's general fund and State boards, commissions, departments or agencies, and any other state funds not currently needed, into the Operating Investment Pool (OIP). The Department of Administrative Services calculates the average daily balance for each participant and distributes the earned income monthly on a pro-rata share basis.

From the funds available for investment in the OIP, the Council is required, pursuant to the Nebraska Capital Expansion Act, to offer each qualifying bank and capital stock financial institution in the State a time deposit open account (TDOA). Each institution is allowed up to a \$1,000,000 deposit as long as they satisfy the requirements of the program. The first \$100,000 of the deposit is insured either by the FDIC or the FSLIC. The statute requires the pledging of collateral for deposits greater than \$100,000, with a minimum pledge of 102% of the amount deposited. However, when publicly traded securities are used for collateral, the Council requires 110% for adequate coverage due to fluctuating market values throughout the month. The Nebraska statute also allows institutions to pledge letters of credit. This type of collateral does not have a fluctuating value so when letters of credit are used, 102% is the coverage required by the Council.



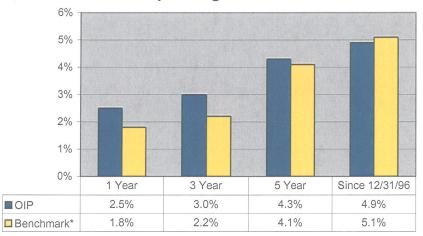
2005 HIGHLIGHTS

There were no changes in the investment policy of this portfolio during 2005.

PERFORMANCE SUMMARY

In 2005, the OIP portfolio was overweight compared to the benchmark in agency securities, high quality corporate bonds, and cash/cash equivalents. These sectors performed better than treasury securities and BBB corporates in 2005. The variance in sector weightings between the OIP and the benchmark is due to the policy requirements and liquidity needs. The OIP fund outperformed its benchmark by 70 basis points during 2005.

Operating Investment Pool



^{* 90%} Lehman Brothers Intermediate Government/Credit Index and 10% Citigroup 30-Day CD. Prior to July 2003, the benchmark consisted of 85% Merrill Lynch 1-3 Year Government/Credit Index and 15% 90-Day T-Bill +15 basis points. Prior to October 1997, the benchmark consisted of 50% Merrill Lynch 1-3 Year Government/Credit Index and 50% 90-Day T-Bill +90 basis points.

Nebraska Educational Savings Plan Trust

OVERVIEW

The Nebraska Educational Savings Plan Trust was established by the Nebraska State Legislature with a January 1, 2001, effective date. The Plan is an Internal Revenue Code Section 529 Plan providing tax-deferred growth of funds for higher education costs. In 2005, participants could choose between two series of the Nebraska Educational Savings Plan Trust – the College Savings Plan of Nebraska or the AIM College Savings Plan. Within each of these series, there are several types of accounts that are described in further detail below.

THE COLLEGE SAVINGS PLAN OF NEBRASKA

Union Bank Direct Accounts

Individuals may contact Union Bank directly to participate in the College Savings Plan of Nebraska. Participants may choose from the following investment options.

Age-based Portfolios: Participant contributions are invested based on the current age of the child and the type of investment style elected. Investments are automatically changed as the child moves from one age bracket to the next.

| Age of Beneficiary | Age-Based Aggressive | Age-Based Growth | Age-Based Balanced | Age-Based Conservative |
|-----------------------|-------------------------|---------------------|-----------------------|---------------------------|
| | (Equity | /Fixed Income/Rea | l Estate/Money M | farket) |
| Ages 0-5 | 100/0/0/0 | 80/15/5/0 | 60/26/5/9 | 40/36/5/19 |
| Ages 6-10 | 80/15/5/0 | 60/26/5/9 | 40/36/5/19 | 20/46/5/29 |
| Ages 11-15 | 60/26/5/9 | 40/36/5/19 | 20/46/5/29 | 0/50/0/50 |
| Ages 16-20 | 40/36/5/19 | 20/46/5/29 | 0/50/0/50 | 0/25/0/75 |
| Ages 21+ | 20/46/5/29 | 0/50/0/50 | 0/25/0/75 | 0/0/0/100 |

Note: The equity asset class includes both domestic and international equities.

Target Portfolios: These portfolios provide a static asset allocation over the life of the account.

| | Equity | Fixed Income | Real Estate | Money Market |
|--------------|--------|--------------|-------------|-----------------|
| Fund 100 | 100% | 0% | 0% | 0% |
| Fund 80 | 80% | 15% | 5% | 0% |
| Fund 60 | 60% | 26% | 5% | 9% |
| Fund 40 | 40% | 36% | 5% | 19% |
| Fund 20 | 20% | 46% | 5% | 29% |
| Conservative | 0% | 50% | 0% | 50% |

Note: The equity asset class includes both domestic and international equities.

Individual Fund Portfolios: Participants may choose from 21 individual fund portfolios for their investment. These portfolios invest in the underlying mutual fund.

Overall, twenty-two investment/mutual funds are utilized within the program, either offered as an individual portfolio and/or used in the target and age-based portfolios. In addition to any manager fees within the funds selected, the Plan imposes a 0.60% annual program manager fee as well as a \$5.00 quarterly account fee.

Union Bank Advisor Accounts

The College Savings Plan of Nebraska is also offered to individuals who are using the expertise and guidance of a financial advisor. The financial advisor will work with Union Bank to open and transfer money to the participant account.

Participants with a Union Bank advisor account are offered all of the same investment options as those with a direct account. However, participants must elect which fee structure they wish to purchase: Fee Structure A, Fee Structure C, or Fee Structure H. Annual fees and initial sales charges vary depending on which fee structure the participant chooses. The fees are listed below.

| | Annual Fee | Initial Sales Charge | Annual Program Manager Fee | Quarterly Account Fee |
|-----------------|------------|-------------------------|-------------------------------|--------------------------|
| Fee Structure A | 0.35% | 3.50% | 0.60% | \$5.00 |
| Fee Structure C | 0.65% | 0.00% | 0.60% | \$5.00 |
| Fee Structure H | 0.10% | 5.75% | 0.60% | \$5.00 |

Mutual fund expenses will also apply. For a more detailed fee schedule, please refer to the College Savings Plan Enrollment Handbook.

TD Waterhouse Direct Accounts

Beginning in 2002, the College Savings Plan of Nebraska is also offered through TD Waterhouse. Participant accounts can be set up directly with TD Waterhouse and participants are offered the same investment options as those offered to participants with Union Bank direct and advisor accounts. Each account is assessed a 0.85% annual management fee and a \$7.50 quarterly account fee. Applicable mutual fund fees will vary by investment choice.

AIM COLLEGE SAVINGS PLAN

AIM Accounts

The AIM series allows individuals to participate in the Nebraska 529 Plan while utilizing the expertise and guidance of a financial advisor. Participants may choose from the following investment options which are comprised solely of AIM mutual funds.

Fixed-allocation Portfolios: These portfolios provide a static asset allocation over the life of the account.

- AIM Aggressive Growth (100% Equity)
- AIM Growth (85% Equity/15% Fixed Income)
- AIM Balanced (60% Equity/40% Fixed Income)

Enrollment-based Portfolios: Investments in these portfolios are based on the anticipated time to college enrollment of the beneficiary. Participant accounts are automatically transferred to the appropriate portfolios as the beneficiary ages to the next tier.

| | Domestic Equity | International Equity | Fixed Income | Money Market |
|----------------------------------|--------------------|-------------------------|--------------|-----------------|
| 16+ Years to College Portfolio | 75% | 25% | 0% | 0% |
| 13-15 Years to College Portfolio | 68% | 22% | 10% | 0% |
| 10-12 Years to College Portfolio | 60% | 20% | 20% | 0% |
| 7-9 Years to College Portfolio | 53% | 17% | 30% | 0% |
| 4-6 Years to College Portfolio | 45% | 15% | 40% | 0% |
| 1-3 Years to College Portfolio | 30% | 10% | 50% | 10% |
| College Now Portfolio | 15% | 5% | 50% | 30% |

Individual Fund Portfolios: Participants may choose from 18 individual fund portfolios for their investment. These portfolios invest in the AIM underlying mutual fund.

AIM College Savings Plan participants must elect which class of portfolio shares they wish to purchase: Class A, Class B, or Class C. Annual fees and initial sales charges vary depending on which class of shares the participant chooses. The fees are illustrated on the following page. Each

account will also bear its pro-rata share of the fees and expenses charged within the AIM funds that make up each 529 portfolio.

| | Annual Fee ¹ | Initial Sales Charge ² | Contingent | Deferred Sales Charges ^{3,4} | Annual Account Fee |
|-----------|-------------------------|--------------------------------------|------------|---------------------------------------|--------------------------|
| Class A | 0.35% | 5.50% | 0.0% | Held < 18 months | \$25.00 |
| | | 0.00% | 1.0% | Held < 18 months | |
| Class B 5 | 1.10% | 0.00% | 5.0% | Redeemed year 1 | \$25.00 |
| | | | 4.0% | Redeemed year 2 | |
| | | | 3.0% | Redeemed year 3 or 4 | |
| | | | 2.0% | Redeemed year 5 | |
| | | | 1.0% | Redeemed year 6 | |
| | | | 0.0% | Redeemed year 7 or after | |
| Class C | 1.10% | 0.00% | 1.00% | Redeemed < 12 months | \$25.00 |

- 1. The annual fee for the first six years on Class B shares is 1.10% if shares are purchased prior to 10/8/02. Thereafter, it is 0.35%. If shares are purchased on or after 10/8/02, the annual fee is 1.10% for the first eight years and 0.35% thereafter.
- 2. The initial sales charge varies for Class A shares based on the portfolio category of the purchase and the amount of the purchase. The charge listed for Class A shares is based on a purchase under \$25,000 of Class A shares in a Category 1 portfolio. Please see the AIM enrollment handbook for further details.
- 3. If shares are redeemed within 18 months of purchase, a deferred sales charge of 1.0% is imposed for Class A shares if the initial purchase was part of an initial investment over \$1,000,000 or more made on a single day with the initial sales charge waived. Otherwise, no deferred sales charge is imposed.
- 4. Deferred sales charges for Class B shares vary depending on the original purchase and what year the redemption occurs. The charges displayed are for purchases made on or after 10/8/02. Please see the AIM enrollment handbook for further details.
- 5. Class B shares will be converted to Class A shares at the end of the month which is eight years after the date on which the shares were purchased. Class B shares purchased prior to 10/8/02, will convert to Class A shares at the end of the month which is six years after the date on which the shares were purchased.

State Farm Accounts

State Farm agents market the AIM series of the Nebraska Educational Savings Plan Trust under the State Farm name. Participants may choose from the following investment options which are comprised solely of AIM mutual funds.

Fixed-allocation Portfolios: These portfolios provide a static asset allocation over the life of the account.

- AIM Aggressive Growth (100% Equity)
- AIM Growth (85% Equity/15% Fixed Income)
- AIM Balanced (60% Equity/40% Fixed Income)

Enrollment-based Portfolios: Investments in these portfolios are based on the anticipated time to college enrollment of the beneficiary. Participant accounts are automatically transferred to the appropriate portfolios as the beneficiary ages to the next tier.

| | Domestic Equity | International Equity | Fixed Income | Money Market |
|----------------------------------|--------------------|-------------------------|--------------|-----------------|
| 16+ Years to College Portfolio | 75% | 25% | 0% | 0% |
| 13-15 Years to College Portfolio | 68% | 22% | 10% | 0% |
| 10-12 Years to College Portfolio | 60% | 20% | 20% | 0% |
| 7-9 Years to College Portfolio | 53% | 17% | 30% | 0% |
| 4-6 Years to College Portfolio | 45% | 15% | 40% | 0% |
| 1-3 Years to College Portfolio | 30% | 10% | 50% | 10% |
| College Now Portfolio | 15% | 5% | 50% | 30% |

At this time, State Farm does not offer an investment option consisting of individual fund portfolios. State Farm College Savings Plan participants must elect which class of portfolio shares they wish to purchase: Class A or Class B. Annual fees and initial sales charges vary depending on which class of

shares the participant chooses. The fees are illustrated on the following page. Each account will also bear its pro-rata share of the fees and expenses charged within the AIM funds that make up each 529 portfolio.

| | Annual Fee ¹ | Initial Sales Charge ² | Contingent | Deferred Sales Charges ^{3,4} | Annual Account Fee |
|---------|-------------------------|--------------------------------------|------------|---------------------------------------|--------------------------|
| Class A | 0.35% | 5.50% | 0.0% | Held < 18 months | \$25.00 |
| | | 0.00% | 1.0% | Held < 18 months | |
| Class B | 1.10% | 0.00% | 5.0% | Redeemed year 1 | \$25.00 |
| | | | 4.0% | Redeemed year 2 | |
| | | | 3.0% | Redeemed year 3 or 4 | |
| | | | 2.0% | Redeemed year 5 | |
| | | | 1.0% | Redeemed year 6 | |
| | | | 0.0% | Redeemed year 7 or after | |

- 1. The annual fee on Class B shares is 1.10% for the first eight years and 0.35% thereafter.
- 2. The initial sales charge varies for Class A shares based on the portfolio category of the purchase and the amount of the purchase. The charge listed for Class A shares is based on a purchase under \$25,000 of Class A shares in a Category 1 portfolio. Please see the State Farm enrollment handbook for further details.
- 3. A deferred sales charge of 1.0% is imposed for Class A shares if the initial purchase was part of an initial investment over \$1,000,000 or more made on a single day with the initial sales charge waived. Otherwise, no deferred sales charge is imposed.
- 4. Deferred sales charges for Class B shares vary depending on the original purchase and what year the redemption occurs. Please see the State Farm enrollment handbook for further details.

2005 HIGHLIGHTS

In March 2005, the Council voted to terminate T. Rowe Price as an option in the list of individual fund portfolios in the College Savings Plan of Nebraska. Assets were transferred to the Vanguard Total International Stock Index Fund. T. Rowe Price was also replaced in the age-based and target portfolios with the Vanguard Total International Stock Index Fund.

In May 2005, the Council voted to change the two most conservative age-based tracks, the Balanced Age-Based and the Conservative Age-Based. The Council believes that these two tracks should be more conservative as the beneficiary nears college age. This will help to reduce the effect of expected market volatility on the beneficiary's portfolio as the beneficiary enters college. Therefore, the structure for these two portfolios now includes a higher percentage of money market funds versus core bond funds.

Also in May 2005, several changes to the AIM College Savings Plan were approved. Two individual fund options were removed: AIM Blue Chip and AIM Premier Equity. There were several new funds added including: AIM Charter, AIM Diversified Dividend, AIM Global Equity, AIM Short Term Bond, AIM Total Return Bond, and AIM Trimark Small Companies. Other changes included various asset allocation changes in the enrollment-based and fixed-allocation portfolios and various changes to the portfolio benchmarks.

General Endowment Funds

OVERVIEW

Endowment funds are used to provide a perpetual source of funding for the activities of the entities they support. Generally there are two investment objectives – providing some funds for the current year's operations and increasing the portfolio to support future needs. The financial management of an endowment fund consists of a contribution strategy, a distribution strategy, and an investment strategy. Although these strategies are interrelated, the Nebraska Investment Council determines only the investment strategy for these endowments. The assets of the endowments described in this section are commingled to achieve administrative efficiencies and cost savings from economies of scale. The investment strategy is described later in this section.

The basic purpose of each endowment is described below.

The Permanent School Fund

The endowment receives proceeds from the sales of school land held in trust for public education, payments for easements and right-of-way over the lands, and royalties and severance taxes paid on oil, gas, and minerals produced from these lands. The net income earned on this fund is distributed annually to the K-12 public schools.

The Nebraska Veterans' Aid Fund

The endowment provides emergency financial assistance to eligible veterans and dependents.

The Cultural Preservation Endowment Fund

The endowment supports the activities of the Nebraska Arts Council and the Nebraska Humanities Council. Distributions from this fund are conditioned on matching contributions from other sources.

The Agricultural Endowment Fund

The endowment receives proceeds from sales of land granted by the federal government. Investment income is distributed to the Institute of Agriculture and Natural Resources.

The Permanent Endowment Fund

The endowment receives proceeds from the sales of land granted by the federal government. Investment income is distributed to the University of Nebraska. This fund is also called the Permanent University Endowment Fund.

The Normal School Endowment

The endowment receives proceeds from sales of land granted by the federal government. Investment income is distributed for the benefit of the state colleges. This fund is also called the State College Endowment Fund.

The Nebraska Environmental Endowment Fund

The endowment is funded by the state lottery program and is part of the Nebraska Environmental Trust. The Trust provides grants for the purposes of environmental conservation in Nebraska.

The Bessey Memorial Fund

The endowment provides aid to widows of University of Nebraska professors.

2005 HIGHLIGHTS

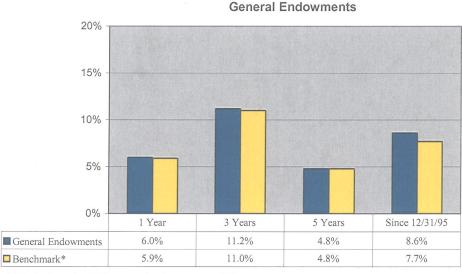
The year began with the Council completing the execution of decisions made in 2004 concerning the U.S. equity portfolio. Some assets were transferred from an actively managed investment portfolio to a pre-existing Wilshire 5000 Index fund. Related to this action, and also approved in late 2004, was a reduction by half in the allocation to AllianceBernstein L.P. At that time, Alliance's assignment was changed from large cap growth to large cap core. An index fund was added to substitute for Alliance in its former large cap growth space.

Because of higher expected rates of return due to broader mandates, the Council established a 5% allocation to the asset class of global equities in March. The Morgan Stanley Capital International All Country World Index (MSCI ACWI) was chosen as the benchmark for this investment. MFS Institutional Advisors, Inc. and Acadian Asset Management, Inc. were selected as investment managers for this allocation to global equities.

In late summer, the Council chose to refine the fixed income portfolio in a manner that is similar to the fixed income changes in the Defined Benefit Plans and Cash Balance Benefit. These corresponding changes resulted in an allocation of 43.5% of the fixed income assets to the Lehman Brothers U.S. Aggregate Index Fund. Simultaneously, UBS Global Asset Management, Inc. was terminated as a fixed income manager. PIMCO is to remain an investment manager for half of the fixed income assets. Also, 6.5% of the fixed income assets were approved to be invested with a high yield fixed income investment manager. Later in the year, the Council chose Loomis Sayles & Company to be the high yield fixed income manager. This high yield investment and the bond index together are expected to have risk/reward characteristics similar to the Lehman Brothers U.S. Universal Bond Index, which is the overall benchmark for the fixed income portfolio.

PERFORMANCE SUMMARY

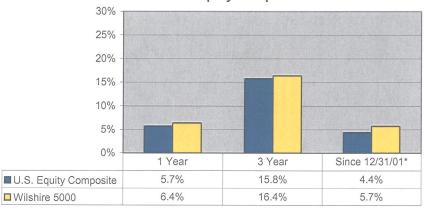
The portfolio's total rate of return for the year was 6.0%, slightly better than its benchmark return of 5.9%. The U.S. equity and global equity portfolios underperformed their benchmarks while the non-U.S. equity and the fixed income portfolios outpaced their benchmarks.



^{*} Effective September 2005, a composite of 37.625% DJ Wilshire 5000 Index, 10.125% MSCI ACWI ex-U.S., 2.25% MSCI ACWI, and 50% Lehman U.S. Universal Bond Index.

U.S. Equity Composite

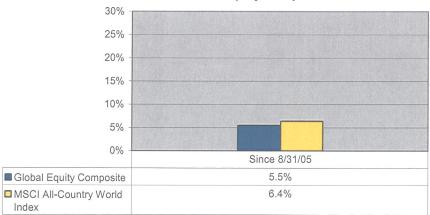
General Endowments U.S. Equity Composite Performance



^{*} Inception date reflects the start date of the current U.S. equity structure.

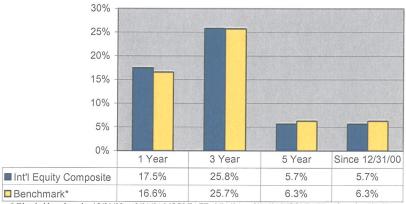
Global Equity Composite

General Endowments
Global Equity Composite Performance



International Equity Composite

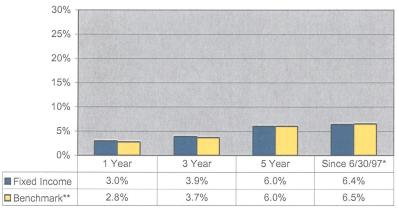
General Endowments International Equity Composite Performance



^{*} Blended benchmark: 12/31/00 to 3/31/04 MSCI EAFE; 3/31/04 to 5/31/04 MSCI EAFE + Canada; 5/31/04 to present MSCI ACWI ex-U.S.

Fixed Income Composite

General Endowments Fixed Income Composite Performance



^{*} Inception date reflects the start date of the current U.S. fixed income structure
** Blended benchmark: 6/30/97 to 3/31/05 Lehman Aggregate; 3/31/05 to present Lehman U.S. Universal Bond Index

Health Care Endowment Fund

OVERVIEW

The Health Care Endowment Fund is comprised of two distinct state trust funds. These two are the Nebraska Tobacco Settlement Trust Fund and the Nebraska Medicaid Intergovernmental Trust Fund (IGT). Although their external contributions are different, the investments are the same and the spending policy is similar. The Nebraska Investment Council's responsibility is managing the investments only.

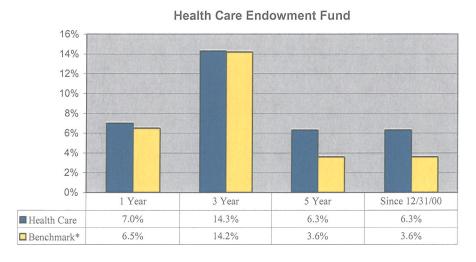
2005 HIGHLIGHTS

The year began with the Council completing the execution of decisions made in 2004 concerning the U.S. equity portfolio. Some assets were transferred from an actively managed investment portfolio to a pre-existing Wilshire 5000 Index fund. Related to this action, and also approved in late 2004, was a reduction by half in the allocation to AllianceBernstein L.P. At that time, Alliance's assignment was changed from large cap growth to large cap core. An index fund was added to substitute for Alliance in its former large cap growth space.

Because of higher expected rates of return due to broader mandates, the Council established a 5% allocation to the asset class of global equities in March. The Morgan Stanley Capital International All Country World Index (MSCI ACWI) was chosen as the benchmark for this investment. MFS Institutional Advisors, Inc. and Acadian Asset Management, Inc. were selected as investment managers for this allocation to global equities.

The Tobacco Settlement Trust Fund receives payments from the Master Settlement Agreement (the tobacco settlement). The payment was \$36 million in 2005. The Medicaid IGT payments are controlled by the federal government. The Medicaid IGT payment for 2005 was \$25 million and was actually made in 2006. If the 2005 Medicaid IGT payment had been received in 2005 as planned, net contributions would have been a positive \$8 million.

PERFORMANCE SUMMARY



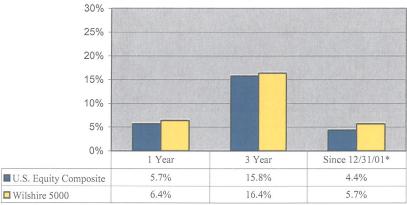
* Effective September 2005, a composite of 55.75% DJ Wilshire 5000 Index, 15,75% MSCI ACWI ex-U.S., 3.5% MSCI ACWI, 22.5% Lehman Brothers Intermediate Government/Credit Index, 2.5% Citigroup 30-Day CD.

The portfolio's total rate of return for the year was 7.0%, slightly better than its benchmark return of 6.5%. The U.S. equity and global equity portfolios underperformed their benchmarks, while the non-

U.S. equity portfolio outpaced its benchmark. The rate of return for the fixed income portfolio matched the return of its benchmark for the year.

U.S. Equity Composite

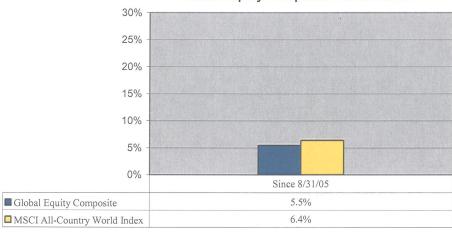
Health Care Endowment Fund U.S. Equity Composite Performance



^{*}Date reflects the start date of the current U.S. equity structure.

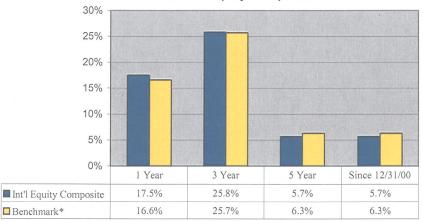
Global Equity Composite

Health Care Endowment Fund Global Equity Composite Performance



International Equity Composite

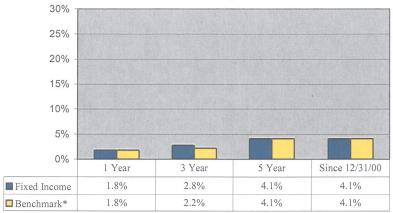
Health Care Endowment Fund International Equity Composite Performance



^{*} Blended benchmark: 12/31/00 to 3/31/04 MSCI EAFE; 3/31/04 to 5/31/04 MSCI EAFE + Canada; 5/31/04 to present MSCI ACWI ex-U.S.

Fixed Income Composite

Health Care Endowment Fund Fixed Income Composite Performance



^{*}As of 7/1/03, the benchmark is 90% Lehman Intermediate G/C /10% Citigroup 30-Day CD

University Funds

OVERVIEW

The University Funds are comprised of the Othmer-Topp Endowment Fund, the Permanent Pool, the Quasi Pool, the Lied Endowment, the Restricted Pool, and the Stone Fund. The investment manager for the Othmer-Topp Endowment Fund is the University of Nebraska Foundation. The investment manager for the other five Funds is U.S. Bank.

Othmer-Topp Endowment Fund

The Othmer-Topp Endowment Fund was established from the estates of Mildred Topp Othmer and Donald F. Othmer. The bequests are to be held in perpetuity and used in accordance with the last will and testament of Mildred Topp Othmer for University purposes as directed by the Board of Regents.

Permanent & Quasi Pools

The Permanent and Quasi Pools represent the commingled investments of approximately 225 individual funds. The Permanent Pool includes funds for which the benefactors and donors have directed the corpus be held in perpetuity, invested, and the income spent for the purposes designated by them. The Quasi Pool contains funds that the Board of Regents has designated function as endowments, with the income to be spent for the purposes designated by the Board.

Lied Endowment

The Lied Endowment was established to provide income to augment funding of the Lied Center for Performing Arts.

Restricted Pool

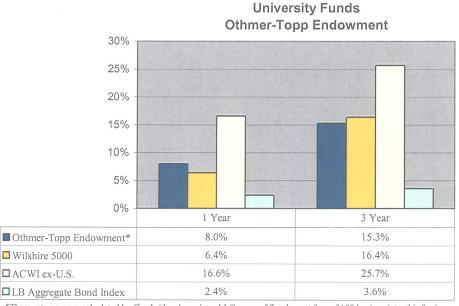
The Restricted Pool is comprised of several funds that are restricted by the benefactors to be invested in U.S. Government and U.S Agency fixed income securities only. This is a permanent endowment fund.

Stone Fund

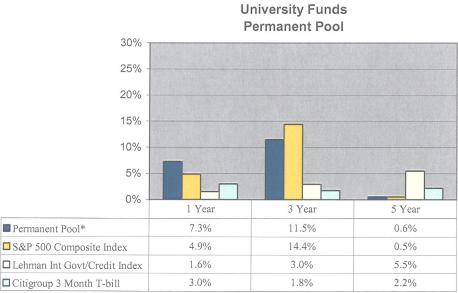
The Stone Fund was designated by the Board of Regents to be invested in fixed income securities and the income used to repay the lease obligation on certain facilities. This is a permanent endowment fund.

PERFORMANCE SUMMARY

Performance information for the University Funds is presented below. The Othmer-Topp Endowment Fund performance information was provided by the investment manager – the University of Nebraska Foundation. The Permanent Pool, the Quasi Pool, and the Lied Endowment performance information was provided by the investment manager – U.S. Bank. At this time, the performance information for the Restricted Pool and the Stone Fund is not available.

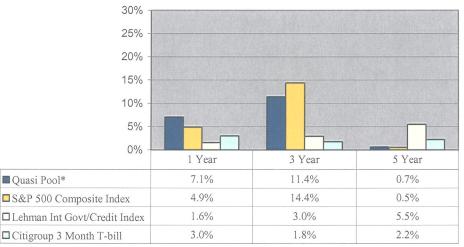


^{*}These returns were calculated by Cambridge Associates LLC gross of fiscal agent fees of 100 basis points; this fee is paid to the University of Nebraska Foundation.



^{*}These returns were calculated by U.S. Bank gross of fees; the fee paid to U.S. Bank for management services is estimated to be 30 basis points

University Funds Quasi Pool



^{*}These returns were calculated by U.S. Bank gross of fees; the fee paid to U.S. Bank for management services is estimated to be 30 basis points





^{*}These returns were calculated by U.S. Bank gross of fees; the fee paid to U.S. Bank for management services is estimated to be 30 basis points

PORTFOLIO MANAGERS

The Othmer-Topp Endowment Fund is managed by the University of Nebraska Foundation. The other five University Funds are managed by U.S. Bank.

Miscellaneous Trusts Excess Liability Fund

OVERVIEW

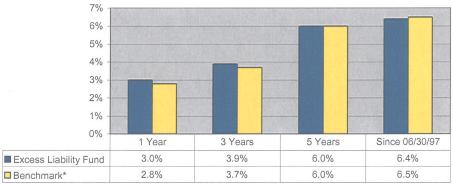
This Fund was created by the Nebraska Hospital-Medical Liability Act. Contributions consist of insurance premiums from certain health care providers and a surcharge levied on all health care providers in the State. The funds are used to pay judgments against the insured health care providers. The Nebraska Investment Council does not determine the distribution policy.

2005 HIGHLIGHTS

In late summer, the Council chose to refine the portfolio by allocating 47.5% of the assets to a Lehman Brothers U.S. Aggregate Index Fund. Simultaneously, UBS Global Asset Management, Inc. was terminated as a fixed income manager. PIMCO is to remain an investment manager for half of the assets. Also, 2.5% of the assets were approved to be invested with a high yield fixed income investment manager. Later in the year, the Council chose Loomis Sayles & Company to be the high yield fixed income manager. This high yield investment and the bond index together are expected to have risk / reward characteristics similar to the Lehman Brothers U.S. Universal Bond Index, which is the overall benchmark for the portfolio.

PERFORMANCE SUMMARY





^{*} Blended benchmark: 6/30/97 to 3/31/05 Lehman Aggreate Index; 4/1/05 to present Lehman Universal Bond Index.

Miscellaneous Trusts Aeronautics Trust Fund

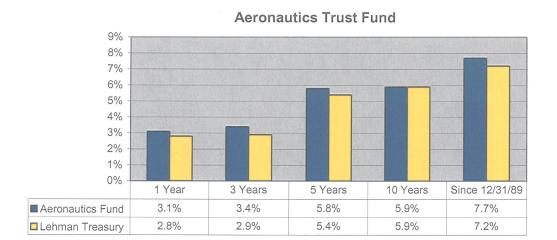
OVERVIEW

This Fund receives the proceeds from the sale of state-owned airfields. Investment income is used to pay expenses of the Department of Aeronautics. The Nebraska Investment Council does not determine the distribution policy.

2005 HIGHLIGHTS

There were no changes in the investment policy or the investment managers of this Fund during 2005.

PERFORMANCE SUMMARY



Miscellaneous Trusts Agricultural Development Fund

OVERVIEW

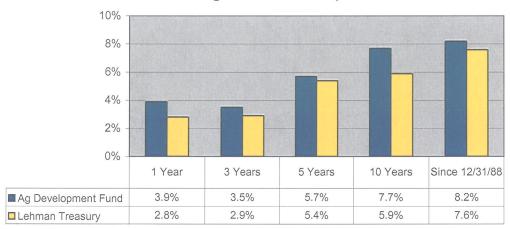
This Fund consists of money received from the U.S. Department of Agriculture. Income from the Fund is used to pay expenses of the Nebraska Department of Agriculture. The Nebraska Investment Council does not determine the distribution policy.

2005 HIGHLIGHTS

There were no changes in the investment policy or the investment managers of this Fund during 2005.

PERFORMANCE SUMMARY

Agricultural Development Fund



Miscellaneous Trusts Joseph J. Soukup Trust Fund

OVERVIEW

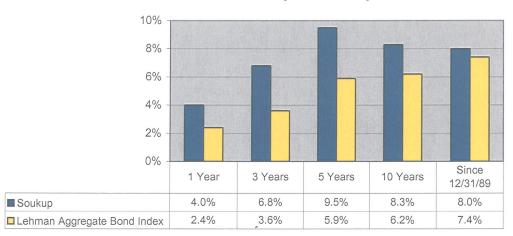
This Fund was established to provide a lifetime income benefit to Joseph J. Soukup. The principal in the Fund reverts to the State upon his death.

2005 HIGHLIGHTS

In September 2005, an increase in the monthly income benefit to Joseph J. Soukup was granted. The new income benefit is \$1,238 per month, an increase from the prior year's payout of \$1,214 per month. Mr. Soukup also received a one-time distribution of income in the amount of \$500.00.

PERFORMANCE SUMMARY





Miscellaneous Trusts Department of Environmental Quality Funds The Drinking Water Recycled Bond Proceeds Fund

OVERVIEW

The Drinking Water Fund was created in 1997. The Nebraska Department of Environmental Quality (NDEQ), in cooperation with the Nebraska Investment Finance Authority (NIFA), issues revenue bonds to finance the costs incurred in planning, designing, and constructing eligible safe drinking water projects for public and private entities in the State of Nebraska. The repayment of the principal is deposited into the Recycled Bond Proceeds Fund. Pursuant to the bond indenture, the Nebraska Investment Council is responsible for the investment of these funds.

2005 HIGHLIGHTS

There were no changes in the investment policy or the investment managers of this Fund during 2005.

PERFORMANCE SUMMARY

